



**Washington State Gambling Commission
Study Session Agenda
Charitable Nonprofit Operators
June 15, 2006
10:00 – 11:00 a.m.**

- Rules Simplification:
 - Chapter 09 - Fund Raising Event Rules (FRE's)

- New Rule Proposals:
 - WAC 230-25-040, 25-050, 25-325, 25-045 Poker Tournaments at FRE's
 - WAC 230-02-203, 02-204, 02-205 Service Supplier

- Possible Agency Request Legislation:
 - Underage Gambling
 - Internet Gambling
 - Barring Known Criminals
 - Changes to RCW 9.46.070 – Military License Renewal & Temporary Licenses/
Summary Suspensions

- Consistency Questions (for next meeting)

- Commission Meeting Agenda

- Open Discussion

**The next Study Session will be held on July 13, 2006
At the Hilton Hotel, Vancouver, WA**



Washington State Gambling Commission
Study Session Agenda
Commercial Operators
June 15, 2006
11:00 a.m. – Noon

- Responses to Questions From Previous Study Session
- Rules Simplification
 - Chapter 09 - Fund Raising Event Rules (FRE's)
- New Rule Proposals
 - WAC 230-25-040, 25-050, 25-325, 25-045 Poker Tournaments at FRE's
 - WAC 230-40-855 Acceptance of tips from patrons for house-banked activities
 - WAC 230-12-045 Gambling Promotions
 - WAC 230-02-203, 02-204, 02-205 Service Supplier
 - WAC 230-04-190 Two-part Payment Plan
- Possible Agency Request Legislation
 - Underage Gambling
 - Internet Gambling
 - Barring Known Criminals
 - Changes to RCW 9.46.070 – Military License Renewal & Temporary Licenses/Summary Suspensions
- Underage Gambling – Emphasis Patrol
-
- Consistency Questions (for next meeting)
- Commission Meeting Agenda
- Open Discussion

The next Study Session will be held on July 13, 2006
At the Hilton Hotel, Vancouver, WA

Amendatory Section:

**WAC 230-25-040 Fund-raising event -- House rules to be developed and posted --
Limitations on wagers.**

(1) Before conducting a fund-raising event (FRE), each licensee shall develop house rules to govern the scope and manner of all gambling activities to be conducted during the FRE. At a minimum, these rules shall:

(a) State the maximum amount of a single wager that may be placed by FRE participants. Wagering limits are as follows:

(i) Single wagers shall not exceed ten dollars;

(ii) Raffles or other similar drawings may exceed the ten dollar wagering limit, but may not exceed the limitations set forth in RCW 9.46.0277; and

(iii) There are no limits on wagers made using scrip.

(iv) There are no limits on the number of poker tournament chips that may be wagered.

(b) Prohibit any thing of value from being given to any person involved in the management or operation of the FRE; and

(c) Prohibit any person involved in the management or operation of the FRE from accepting any thing of value.

Posting house rules.

(2) A copy of the rules shall be conspicuously posted in the area where the FRE is being conducted at all times during the FRE. A copy must be available, upon request, to any law enforcement officer or representative of the commission, or member of the general public

Amendatory Section:

WAC 230-25-050 Wagering among participants not permitted.

No licensees ~~((to conduct))~~ conducting a fund-raising event shall not permit, as a part of that fund-raising event, a gambling activity which involves a wagering of money or other items of value by one participant against another participant. This rule ~~shall not be construed to~~ does not prohibit gambling activities wholly administered by the licensee wherein the licensee collects wagers from among the participants and determines the winners and amounts of prizes on a pari-mutuel basis or poker tournaments as authorized under WAC 230-25-045.

Amendatory Section:

WAC 230-25-325 Limited fund-raising event -- Procedures and restrictions.

Pursuant to RCW 9.46.0233(2), nonprofit or charitable organizations may offer *limited* fund-raising events (FREs). Organizations offering *limited* FREs must operate the FRE under the following operational procedures:

Operating procedures.

- (1) Only members of the organization and their guests shall participate in the event. The event shall not be open to the general public.
- (2) Participants shall purchase scrip with cash.
- (3) Scrip shall be exchanged at gambling stations for chips.
- (4) Only bona fide members will be utilized for all transactions involving acceptance of cash for scrip, conducting the schemes to determine the winners of merchandise prizes, and maintaining records during the event.
- (5) The value of all purchased prizes must not exceed ten percent of the gross revenue from the event, less the cost of the FRE equipment rental contract.
- (6) Any prizes purchased from the FRE equipment distributor must be disclosed. The cost may not exceed the fair market value. Prizes may be disclosed to the public at the retail value.
- (7) Poker tournaments may be operated at limited fund-raising events. Tournament rules must be established and posted.

FRE equipment distributors.

Limitations.

- (7) The nonprofit organization may only contract with a person or organization licensed as a FRE equipment distributor to provide the equipment and staff to operate the gaming stations.
- (8) Under no circumstances shall employees of the FRE equipment distributor handle cash transactions or allow participants to purchase chips with cash.

Compensation.

- (9) The fee paid to the FRE equipment distributor shall be in compliance with WAC 230-25-120. The FRE equipment distributor shall not share in any way in the proceeds of the event except as set forth in the rule.

Information to be submitted with FRE application.

- (10) The application must include details relating to the initial cost to participate, and method for purchasing additional scrip, as well as identify all costs included in the initial price to enter that are not related to the gambling activity (i.e., meals, drinks, etc.). The

application must also identify the scheme that will be followed to distribute the merchandise prizes to participants at the end of the event (i.e., raffle, auction, etc.).

(11) All contracts signed by the FRE licensee with the FRE equipment distributor and premises provider must be submitted with the FRE license application.

Fees.

(12) The licensing fee for a *limited* FRE shall be as set forth in WAC 230-04-202(4).

[Statutory Authority: RCW 9.46.070. 00-15-048 (Order 387), § 230-25-325, filed 7/17/00, effective 8/17/00.]

NEW SECTION

WAC 230-25-045 Poker tournaments at fund-raising events and limited fund-raising events.

Poker tournaments are authorized at fund-raising events (FREs) and limited FREs under FRE rules with the following additional requirements.

Net Receipts Limitation

(1) All money paid to enter a tournament or purchase chips or script to enter a tournament is considered to be a wager for the purpose of determining the \$10,000 net receipts limits.

Prizes.

(2) Chips used in card tournaments do not have a monetary value and may only be redeemed for prizes.

Posting of rules.

(3) The licensee must adopt poker tournament rules and conspicuously post the rules at the tournament location.

Prize records.

(4) The licensee must maintain a record of all prizes awarded to include the amount the licensed operator actually paid for each prize and the name and complete address of each winning participant. If prizes are donated, the licensee must maintain a record that includes the name of the donor and a description of the prizes donated.

WAC 230-02-203

Lending Agent, Loan Servicer, and Placement Agent defined.

A person or entity, other than a regulated lending institution, that finds, places, administers, facilitates, and services loans to licensees and whose services include, but are not limited to, one or more of the following:

- (1) Charging an on-going fee for their services;
- (2) Maintaining rights as the lender;
- (3) Determining when the loan is in default; or
- (4) Maintaining access to collateral.

NEW SECTION:

WAC 230-02-204

Regulated Lending Institution defined.

A regulated lending institution is any state or federally regulated organization primarily in the business of lending money. An organization must demonstrate that it is a regulated lending institution by meeting all of the following criteria:

(1) Is registered and actively regulated by the Securities and Exchange Commission or any other United States federal or state governmental banking or financial regulatory agency. Lending institutions must demonstrate to the Commission that they are actively regulated by at least:

- (a) Annually reporting information on their lending activities to the regulatory agency; and
- (b) Receiving regular audits or inspections by the regulatory agency; and
- (c) Owners and officers undergo criminal history background checks.

(2) Is acting as a passive investor in the licensed establishment to which they are lending money. For the purposes of this rule, passive investors are those who do not have actual or potential influence over the operations of the licensed entity. A lending institution will not be considered a passive investor if they:

- (a) Appoint or have the right to appoint officers, directors, consultants, or other positions with the licensed establishment; or
- (b) Require the licensed establishment to seek their approval or authorization in making business decisions for the organization; or
- (c) Have full access to records of the establishment; or
- (d) Have the ability to convert the debt into shares which would result in the lender becoming a substantial interest holder per WAC 230-02-300 (4).

(3) A majority of its outstanding loans receivable are from businesses not engaged in gambling activities.

WAC 230-02-205

Gambling service supplier defined.

A "gambling service supplier" is any person who provides gambling related services for compensation, whether directly or indirectly.

(1) Gambling related services include at least the following:

(a) Providing consulting or advisory services regarding gambling activities;

(b) Providing gambling related management services;

(c) Providing financing for purchases or leases of gambling equipment or for providing financing for infrastructure or facilities, or equipment, that supports gambling operations for more than one licensee. For purposes of this section, financing by any bank, mutual savings bank, or credit union regulated by the department of financial institutions or any federally regulated commercial lending institution shall not be deemed as providing gambling related services;

(d) Acting as a lending agent, or loan servicer, or placement agent as defined in WAC 230-02-203;

(e) Providing any other service or activity where influence may be exerted over any gambling activity licensed by the commission;

(f) Providing assembly of components for gambling equipment under a contract with a licensed manufacturer or entering into an ongoing financial arrangement for gambling related software with a licensed manufacturer;

(g) Providing installation, integration, maintenance, or any other service of digital surveillance systems that allows direct access to the operating system; or

(h) Training individuals to conduct authorized gambling activities.

(i) Performing the testing and certification of Tribal Lottery Systems as meeting requirements specified in the Tribal-State Compact;

(2) The term "gambling services supplier" does not include the following:

(a) Universities and colleges that are regulated by the Washington state board of community and technical colleges and the higher education coordinating board which train individuals to conduct authorized gambling activities;

(b) Licensed manufacturers or distributors who service and repair pull-tab dispensing devices, bingo equipment or any other authorized gambling equipment;

(c) Attorneys, accountants, and governmental affairs consultants whose primary business is providing professional services that are unrelated to the management or operation of gambling activities; and

(d) Persons that only provide nonmanagement related recordkeeping services for punch board and pull-tab operators, when the combined total gross billings from such services does not exceed twenty-five thousand dollars during any calendar year.

(e) Person who provide names, images, or associated copyrights or trademarks, or other features that do not affect the results or outcome of the game, for use in gambling equipment;

(f) Regulated Lending Institutions as defined in WAC 230-02-204.

[Statutory Authority: RCW 9.46.070, 06-07-084 (Order 456), § 230-02-205, filed 3/14/06, effective 7/1/06; 04-19-069 (Order 436), § 230-02-205, filed 9/16/04, effective 1/1/05; 00-05-102 (Order 380), § 230-02-205, filed 2/16/00, effective 7/1/00; 98-19-133 (Order 361), § 230-02-205, filed 9/23/98, effective 1/1/99; 97-24-031, § 230-02-205, filed 11/25/97, effective 1/1/98.]

Amendatory Section

WAC 230-12-045

Gambling promotions.

Licenseses may conduct gambling promotions to encourage players to participate in a gambling activity under the following conditions and restrictions:

(1) ~~((The following conditions apply:~~

~~—(a) All players must have an equal opportunity to participate;~~

~~—(b))) Licensee must establish criteria to determine how promotional items will be distributed to players. The criteria must not include distribution~~ Promotional items must not be awarded based on an element of chance, such as a drawing or spinning wheel, except as authorized under WAC 230-20-242.

~~(((e) (2) All rules or restrictions must be conspicuously displayed in the gaming area and included on promotional materials or advertisements.~~

~~—(2) The following restrictions apply:~~

~~—(a) Promotional items must not exceed a cost of five hundred dollars per item;~~

~~((b))) (3) Promotional items awarded based on the outcome of a gambling activity must not be an additional opportunity to engage in a gambling activity regulated by the commission;~~

~~(((e))) (4) Gambling activities and related gambling promotions must not be combined in any way with a promotional contest of chance, as defined in RCW 9.46.0356.~~

[Statutory Authority: RCW 9.46.070. 04-11-091 (Order 431), § 230-12-045, filed 5/18/04, effective 7/1/04; 02-11-084 (Order 413), § 230-12-045, filed 5/16/02, effective 7/1/02.]

Amendatory Section:

WAC 230-40-855 Acceptance of tips from patrons for house-banked activities.

Licensees may allow selected employees to accept tips from patrons. If allowed, tips shall be controlled in a manner to ensure they are only received by authorized persons, properly accounted for, and maintained separate from all other gaming funds. The following restrictions and procedures apply:

(1) No employee directly concerned with management, supervision, accounting, security, or surveillance shall solicit, accept or otherwise share any tip originating from any player or patron: Provided, That cage cashiers shall be allowed to accept tips.

(2) Each licensee shall establish procedures necessary to ensure that the acceptance of tips by dealers is observed by the floor supervisor and surveillance. Procedures shall include an overt display of tips received, such as tapping the table with the tip prior to placing it in the tip container.

(3) All tips must be dropped into a locked tip container which prevents the removal of chips except by unlocking. Tip containers must remain under camera coverage of the closed circuit television system at all times.

(4) ~~(3)~~ Tips to the cashier shall be deposited directly into the tip container by the patron. Cashier tip containers shall be located outside the cage enclosure.

(5) ~~(4)~~ Tips received shall be retained by employees or pooled among employees in such manner as determined by the licensee as approved in the internal controls.

(6) ~~(5)~~ Licensees shall establish and implement procedures for the proper accounting of tips received by authorized card room employees. The procedures shall be fully documented in the licensee's internal controls and shall describe in detail any methods used to allocate tips. ((Accounting and recording of tip income shall be in sufficient detail to meet federal income tax requirements.))

(7) Procedures for employees who retain their own tips must include at least the following:

(a) All tips received by licensed card room employees must be redeemed under surveillance at the cashier's cage during the shift in which they were received; and

(b) The cage cashiers must count the tips collected and record at least the following information:

(i) Name, position and employee number of person that received tips; and

(ii) Amount of tips redeemed; and

(iii) Time and date tips were redeemed at cashier's cage; and

(iv) Signature of person that received the tips; and

(v) Signature of person counting and recording tip; and

(c) Tips received by a cage cashier must be counted and verified by the shift/floor supervisor and include the information listed in subsection (b) above.

(8) Procedures for employees that pool tips must include at least the following:

- (a) All pooled tips must be redeemed under surveillance at the cashier's cage, count room or a gaming table; and
- (b) Time and date tips were counted; and
- (c) Amount of tips counted; and
- (d) Name, employee number, and signature of at least two licensed card room employees counting the tips; and
- (e) The name, employee number and amount of tips allocated to each employee receiving the tips.

[Statutory Authority: RCW [9.46.070](#). 00-09-052 (Order 383), § 230-40-855, filed 4/14/00, effective 5/15/00.]

WAC 230-04-190

Issuance of license — Expiration — Restrictions.

The commission may only issue a license to qualified applicants. All licenses are issued subject to the following restrictions:

(1) The commission may issue the following licenses:

(a) **Charitable and nonprofit organizations and agricultural fairs.** The commission may issue a license to qualified bona fide charitable or nonprofit organizations or to qualified agricultural fairs to operate each of the following activities upon a specified location:

(i) Bingo;

(ii) Raffles;

(iii) Amusement games;

(iv) Punch boards and pull-tabs;

(v) Social card games; and

(vi) Fund raising events as defined in RCW 9.46.0233: Provided, That any agricultural fair authorized under the provisions of chapter 15.76 or 36.37 RCW is prohibited from conducting fund raising events.

(b) **Commercial amusement games.** The commission may issue a separate license to any person to operate amusement games at one or more of the locations listed in WAC 230-04-138.

(c) **Commercial stimulant card games.** The commission may issue a license to any person operating a business primarily engaged in the selling of items of food or drink for consumption on the premises to allow a specified portion of a specified premises to be used by persons to play authorized card games.

(d) **Public card room employee.** The commission may issue a license to any person to perform duties in a public card room.

(e) **Commercial stimulant punch boards and pull-tabs.** The commission may issue a license to a person operating a business primarily engaged in the selling of items of food or drink for consumption on the premises to operate punch boards and pull-tabs upon specified premises.

(f) **Manufacturers and distributors of gambling equipment and paraphernalia.** The commission may issue a separate or combination license to the following:

(i) Manufacturers of punch boards, pull-tabs, devices for the dispensing of pull-tabs, bingo equipment, and other gambling equipment, supplies, and paraphernalia; and

(ii) Distributors of punch boards, pull-tabs, devices for the dispensing of pull-tabs, bingo equipment, and any gambling equipment, supplies, or paraphernalia for use in connection with authorized activities.

(g) **Representatives of manufacturers or distributors.** The commission may issue a separate license to a representative of a manufacturer or distributor to engage in the sale and distribution of gambling equipment and paraphernalia.

(h) **Recreational gaming activity permit.** The commission may issue a permit to an organization that has been in existence for at least six months to conduct a recreational gaming activity as defined by WAC 230-02-505.

License expiration.

(2) Each such license shall be valid for the period of time or the level of gross gambling receipts set forth on the license. In no case shall the time period exceed one year from the date that such license is issued: Provided, That license expiration dates may be adjusted by commission staff to schedule workload. Organizations licensed for more than one activity may have all expiration dates adjusted to end on the same

day. Whenever license expiration dates are adjusted under this provision, the required fee shall be prorated by the commission. The prorated fees shall be computed on a monthly basis (i.e., one-twelfth of the annual payment per month) and subtracted from the regular annual fee. A prorated fee will be based on the number of whole months remaining upon approval of a license. For purposes of computing fees under this section, any part of a month in which the activity is authorized to be operated shall be deemed to be a whole month. Any difference between the required fee which exceeds twenty dollars, shall be refunded to the applicant. Specific expiration dates are as follows:

(a) Licenses issued to conduct any authorized activity in connection with and upon the site of a qualified agricultural fair, qualified community-wide civic festival, qualified world's fair, or qualified civic center shall be valid only for the duration of the fair or festival, or, in the case of an activity at a civic center, for the seasons during which the civic center is operating and open to the public. In no event shall such license exceed one calendar year.

(b) A license issued to conduct a raffle in connection with a qualified agricultural fair, qualified community-wide civic festival or qualified world's fair shall be in effect from the date the license was issued through the conclusion of the fair or festival;

(c) A license issued to conduct a card tournament shall be valid only for the duration of the tournament, but in no event shall exceed ten consecutive days;

(d) A license issued to conduct a fund raising event shall be valid only for the place and time set forth in the application or otherwise approved by the commission. The number of events permitted under the license in any calendar year is subject to the limitations set out in RCW 9.46.0233 defining a fund raising event: Provided, That a fund raising event license shall allow an organization to have possession of gambling equipment authorized for use at a fund raising event for a period of one year beginning on the day of the event and to rent such for up to four occasions per year to other organizations licensed to operate fund raising events;

(e) A license issued to an individual shall be valid for a period not to exceed one year from the date the individual was assigned duties requiring a license, the date the license was actually issued, or as set forth elsewhere in this title, whichever occurs first: Provided, That a charitable or nonprofit gambling manager or distributor representative license shall become void upon a change of employer; and

(f) A bingo license that has been limited under the restrictions of WAC 230-20-062 shall expire when the level of authorized gross gambling receipts is reached. A license that expires under this subsection shall not be granted an increase in license class for the current license period until all requirements of WAC 230-04-260 have been met or the commission grants an increase in license class under procedures set forth in WAC 230-20-062.

Reinstating expired licenses.

(3) If any licensee fails to submit a properly completed application and all applicable fees prior to the normal expiration date, the license shall expire and the operation of the applicable activity must immediately cease. When a license expires, a new application must then be submitted and a prelicensing evaluation/investigation to the extent deemed necessary by the director will be completed prior to granting a license: Provided, That if a properly completed renewal application and fees are received at the commission headquarters office within the fourteen-day period following the expiration date, the commission may reinstate the license using normal renewal procedures. Reinstating a license under this provision does not, in any case, grant authority to operate the activity during the period between the normal expiration date and the date of reinstatement.

Two-part payment plan for license fees.

(4) The commission may allow an applicant renewing an annual license or applying for an additional license except for a house banked card game license to pay the license fee in two payments under the following conditions:

(a) The license fee is at least eight hundred dollars;

(b) The applicant pays an administrative processing fee as set forth in WAC 230-04-202 or 230-04-203, plus one-half of the annual license fee at the time of application or renewal;

(c) Licenses issued under the two-payment plan shall be issued with an expiration date as determined by subsection (2) of this section and a second-half payment due date. If the second-half payment is received on or before the due date, the license will remain in effect until the expiration date. If the licensee fails to submit the second-half payment prior to the due date, the license shall expire and all operations of the activity must stop; and

(d) Gross gambling receipts during the first-half payment period must not exceed fifty percent of the authorized class limitation for annual gross gambling receipts. Licensees whose gross gambling receipts exceed fifty percent of the authorized level shall be required to apply for a license at the appropriate license class as required by WAC 230-04-260 and pay the full upgrade fee, plus an administrative processing fee, as set forth in WAC 230-04-202 and 230-04-203.

Conditions of license issuance.

(5) All activities so licensed are licensed subject to compliance with all of the applicable provisions of chapter 9.46 RCW, including any amendments thereto, all applicable rules and regulations passed by the commission, all other applicable laws of the United States, the state of Washington and all political subdivisions of the state of Washington which include but are not limited to the following:

- (a) Business licenses or permits;
- (b) Health certificates;
- (c) Fire inspections;
- (d) Use and occupancy permit; and
- (e) Liquor license or permit.

[Statutory Authority: RCW 9.46.070. 01-11-063 (Order 401), § 230-04-190, filed 5/11/01, effective 6/11/01. Statutory Authority: RCW 9.46.070 (1), (2). 97-14-013, § 230-04-190, filed 6/20/97, effective 7/21/97. Statutory Authority: RCW 9.46.070 and 9.46.116. 96-24-007 (Order 304), § 230-04-190, filed 11/21/96, effective 1/1/97. Statutory Authority: RCW 9.46.070. 94-23-007, § 230-04-190, filed 11/3/94, effective 1/1/95. Statutory Authority: RCW 9.46.0331. 91-22-029 (Order 229), § 230-04-190, filed 10/29/91, effective 11/29/91. Statutory Authority: Chapter 9.46 RCW. 91-15-040 (Order 224), § 230-04-190, filed 7/17/91, effective 8/17/91. Statutory Authority: Chapter 34.05 RCW. 90-03-064 (Order 203), § 230-04-190, filed 1/18/90, effective 2/18/90. Statutory Authority: RCW 9.46.070 (4), (11) and (14). 89-24-002 (Order 201), § 230-04-190, filed 11/27/89, effective 12/28/89. Statutory Authority: RCW 9.46.070 (7), (8), (9), (10), (14), (19) and (20). 89-09-047 (Order 190), § 230-04-190, filed 4/18/89, effective 7/1/89. Statutory Authority: RCW 9.46.070 (8), (11) and (14). 88-13-060 (Order 179), § 230-04-190, filed 6/14/88. Statutory Authority: RCW 9.46.070 (1), (2), (3), (4) and (14). 87-21-015 (Order 172), § 230-04-190, filed 10/9/87. Statutory Authority: RCW 9.46.020(23). 81-03-045 (Order 105), § 230-04-190, filed 1/16/81. Statutory Authority: RCW 9.46.070(16). 78-06-066 (Order 85), § 230-04-190, filed 5/25/78. Statutory Authority: RCW 9.46.070(10). 78-05-043 (Order 84), § 230-04-190, filed 4/21/78; Order 78, § 230-04-190, filed 11/17/77; Order 51, § 230-04-190, filed 4/30/76; Order 42, § 230-04-190, filed 9/18/75; Order 23, § 230-04-190, filed 9/23/74; Order 5, § 230-04-190, filed 12/19/73.]